

By Paul Matson
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Over the past week there has been significant discourse with respect to the various public pension plans in Arizona. As Director for the Arizona State Retirement System (ASRS) – the largest retirement system in the state with more than 500,000 members – I am pleased with the opportunity to share the following facts about retirement plans in general and the ASRS in particular.

The ASRS and our members have been at the forefront of retirement reform with initiatives that began in 2003. These initiatives modified the plan structure in order to ensure the sustainability and affordability of the retirement plan for current and future generations and to eliminate abuses and loopholes. As a result, virtually all of the various problems discussed recently in Arizona have been addressed by the ASRS years ago. Following is a list of cost-reducing steps actually implemented by the ASRS as far back as 2004:

- Elimination of deferred retirements (DROP program)
- Elimination of various methods of spiking salaries
- Increasing the age at which employees may retire
- Charging for early retirement programs
- Decreases in interest rates paid on employee cash balances
- Decreases in refunds paid to employees
- Increases in the costs charged to purchase pension time
- Various other cost saving initiatives

A national actuarial firm determined that these ASRS-driven initiatives have reduced the cost of the ASRS retirement plan by between \$4.6 *billion* and \$7.2 *billion* over the life of the plan. While many other states and pension systems still debate making changes, the ASRS has already done so, while simultaneously maintaining retirement security for retirees. This is an enormous accomplishment and it has been done proactively in Arizona. Ensuring that abuses and loopholes are eliminated has been a successful focus of the ASRS for years, and this focus will continue.

The ASRS is also unique in that our employees have always paid for 50 percent of their retirement benefit. In most other public pension plans throughout the country however, the employee pays a much lower fixed rate, and as a result the employer, supported by the taxpayer, pays a much higher variable rate. *The ASRS is one of the few pension plans in the country* that has this equal cost sharing between employee and employer, therefore reducing contributions paid by the employer and ultimately the taxpayer. This allows the ASRS to equitably fund the pension plan, while allowing retirees the security of a stable retirement. The result is that the average retiree from the ASRS receives a secure pension of approximately \$19,800 per year at the end of their career. This benefit is earned by the employee after paying into the retirement plan from their salaries throughout their career.

In addition to providing financial security to our retirees, these pensions add billions of dollars in direct expenditures to the Arizona economy, employing tens of thousands of Arizonans. As a result, retirement security typically benefits both the retiree, as well as the greater Arizona economy.

From an independent perspective, Arizona has been recognized by the Pew Center as a “national leader” in the areas of retirement and retiree health insurance funding, and I expect that the ASRS will continue to be a national leader in public retirement and benefit reform, ensuring that an affordable and sound retirement is available to Arizona’s retirees.

In conclusion, a well structured pension plan that eliminates abuses and loopholes is often the least expensive, most cost effective, and secure way for employees to properly save for their retirement.

I encourage you to visit our website – www.azasrs.gov – for more information.